

Grundy Center Community School District

Independent Auditor's Reports
Basic Financial Statements
And Supplementary Information
Schedule of Findings

June 30, 2011

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Grundy Center Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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Board of Education

Kelly Mathews	President	2013
Robert Johanns	Vice President	2011
Mark Dunnick	Board Member	2011
Vicki Knaack	Board Member	2013
Kent Venenga	Board Member	2013

School Officials

Cassandra Murra	Superintendent	2011
Mary Boege	District Secretary/Treasurer and Business Manager	2011
T.J. Heronimus	Attorney	2011

Independent Auditor's Report

To the Board of Education of
Grundy Center Community School District:

I have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Grundy Center Community School District, Grundy Center, Iowa, as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. My responsibility is to express opinions on these financial statements based on my audit.

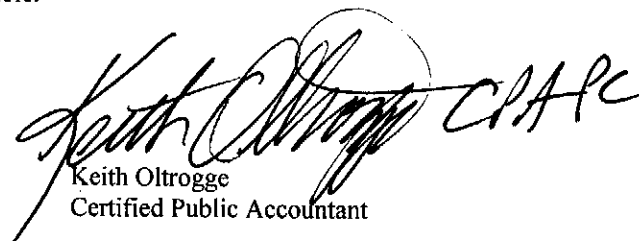
I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinions.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Grundy Center Community School District at June 30, 2011, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, I have also issued my report dated March 14, 2012 on my consideration of Grundy Center Community School District's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of my audit.

Management's Discussion and Analysis and Budgetary Comparison Information on pages 4 through 12 and 36 through 38 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Grundy Center Community School District's basic financial statements. I previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the seven years ended June 30, 2010 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 7, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in my audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Keith Oltrogge
Certified Public Accountant

March 14, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

Grundy Center Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2011. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2011 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$5,859,058 in fiscal 2010 to \$6,099,035 in fiscal 2011, and General Fund expenditures decreased from \$6,197,552 in fiscal 2010 to \$6,087,567 in fiscal 2011. The District's General Fund balance increased from \$741,133 in fiscal 2010 to \$752,601 in fiscal 2011, a 1.5% increase.
- The increase in General Fund revenues was attributable to an increase in local tax and state grant revenue in fiscal 2011. The decrease in expenditures was due primarily to a decrease in instruction expenditures.
- An increase in the District's General Fund balance resulted in the District's solvency ratio increasing from 7.4% in fiscal 2010 to 8.5% in fiscal 2011. The District's solvency level indicates the District is able to meet unforeseen financing requirements and presents a sound risk for the timely repayment of short-term debt obligations.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Grundy Center Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Grundy Center Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Grundy Center Community School District acts solely as an agent or custodian for the benefit of those outside of the District.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Other Supplementary Information provides detailed information about the non-major governmental funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

Figure A-1
Grundy Center Community School District Annual Financial Report

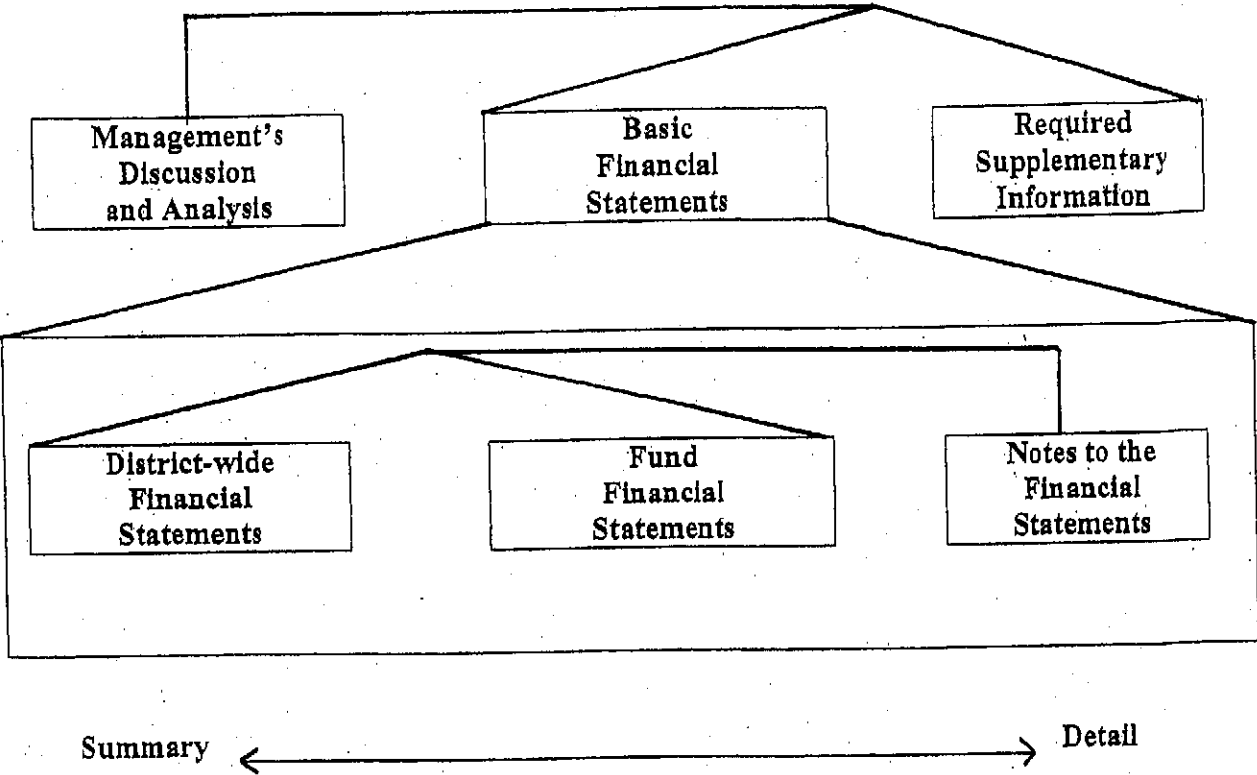


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2
Major Features of the Government-wide and Fund Financial Statements

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services and adult education	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
Required financial statements	Statement of net assets	Balance sheet	Statement of net assets	Statement of fiduciary net assets
	Statement of activities	Statement of revenues, expenditures and changes in fund balances	Statement of revenues, expenses and changes in fund net assets	Statement of changes in fiduciary net assets
			Statement of cash flows	
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/ liability information	All assets and liabilities, both financial and capital, short-term and long- term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long- term	All assets and liabilities, both short- term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/ outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Fund.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund.

The required financial statements for proprietary funds include a statement of net assets, a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

3) *Fiduciary funds:* The District is the trustee, or fiduciary, for assets that belong to others. These funds include the Private-Purpose Trust and Agency Funds.

- Private-Purpose Trust Funds – The District accounts for outside donations for scholarships for individual students in these funds.
- Agency Funds – These are funds through which the District administers and accounts for certain federal and/or state grants on behalf of other Districts and certain revenue collected for District employee purchases of pop and related expenditures.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

Reconciliation between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2011 compared to June 30, 2010.

Figure A-3
Condensed Statement of Net Assets

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2011	2010	2011	2010	2011	2010	2010-2011
Current and other assets	\$4,602,114	\$4,440,943	\$26,186	\$28,980	\$4,628,300	\$4,469,923	3.5%
Capital assets	6,202,378	5,899,975	40,862	44,880	6,243,240	5,944,855	5.0%
Total assets	\$10,804,492	\$10,340,918	\$67,048	\$73,860	\$10,871,540	\$10,414,778	4.4%
Long-term liabilities	\$1,468,935	\$1,779,358	\$-	\$-	\$1,468,935	\$1,779,358	-17.5%
Other liabilities	3,171,826	3,077,478	5,462	6,647	3,177,288	3,084,125	3.0%
Total liabilities	\$4,640,761	\$4,856,836	\$5,462	\$6,647	\$4,646,223	\$4,863,483	-4.7%
Net assets:							
Invested in capital assets, net of related debt	\$5,040,431	\$4,434,355	\$40,862	\$44,880	\$5,081,293	\$4,479,235	13.4%
Restricted	878,810	641,032	20,306	20,306	899,116	661,338	36.0%
Unrestricted	244,490	408,695	418	2,027	244,908	410,722	-40.4%
Total net assets	\$6,163,731	\$5,484,082	\$61,586	\$67,213	\$6,225,317	\$5,551,295	12.1%

The District's combined net assets increased by approximately 12.1%, or \$694,000, over the prior year. The largest portion of the District's net assets is the "invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt". The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets at June 30, 2011 increased by approximately 36%, or \$238,000, over the prior year. The increase was primarily a result of the reclassification of unrestricted net assets.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased approximately \$166,000, or 40.4%. The decrease in unrestricted net assets was primarily a result of the reclassification to restricted net assets.

Figure A-4 shows the change in net assets for the year ended June 30, 2011 compared to the year ended June 30, 2010.

Figure A-4

Changes in Net Assets

	Governmental Activities		Business Type Activities		Total District		Total Change
	2011	2010	2011	2010	2011	2010	2010-2011
Revenues:							
Program revenues:							
Charges for service	\$694,799	\$803,350	\$187,767	\$203,542	\$882,566	\$1,006,892	-12.4%
Operating grants, contributions and restricted interest	974,510	1,157,927	124,024	129,931	1,098,534	1,287,858	-14.7%
Capital grants, contributions and restricted interest	-	-	-	-	-	-	-
General revenues:							
Property tax	2,911,525	2,812,639	-	-	2,911,525	2,812,639	3.5%
Statewide sales, service and use tax	418,232	376,476	-	-	418,232	376,476	11.1%
Unrestricted state grants	2,481,503	2,094,683	-	-	2,481,503	2,094,683	18.5%
Unrestricted investment earnings	14,957	16,352	373	296	15,330	16,648	-7.9%
Other	233,389	141,551	-	-	233,389	141,551	64.9%
Total revenues	\$7,728,915	\$7,402,978	\$312,164	\$333,769	\$8,041,079	\$7,736,747	3.9%
Program expenses:							
Governmental activities:							
Instruction	\$4,823,424	\$4,933,473	\$-	\$-	\$4,823,424	\$4,933,473	-2.2%
Support services	1,869,963	1,864,194	-	-	1,869,963	1,864,194	0.3%
Non-instructional programs	4,832	3,750	317,791	319,261	322,623	323,011	-0.1%
Other expenses	351,047	373,062	-	-	351,047	373,062	-5.9%
Total expenses	\$7,049,266	\$7,174,479	\$317,791	\$319,261	\$7,367,057	\$7,493,740	-1.7%
Change in net assets	\$679,649	\$228,499	-\$5,627	\$14,508	\$674,022	\$243,007	277.4%

In fiscal year 2011, property tax and unrestricted state grants account for 67.1% of governmental activities revenue while charges for service and operating grants, contributions and restricted interest accounted for 99.9% of business type activities revenue.

The District's total revenues were approximately \$8.0 million, of which approximately \$7.7 million was for governmental activities and less than \$0.3 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 3.9% increase in revenues and a 1.7% decrease in expenses. Property tax increased approximately \$99,000. The decrease in expenses is related to a decrease in instruction, non-instructional and other expenses.

Governmental Activities

Revenues for governmental activities were \$7,728,915 and expenses were \$679,649. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses.

Figure A-5

Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2011	2010	Change 2010-2011	2011	2010	Change 2010-2011
Instruction	\$4,823,424	\$4,933,473	-2.2%	\$3,209,603	\$3,086,077	4.0%
Support Services	1,869,963	1,864,194	0.3%	1,814,475	1,750,313	3.7%
Non-instructional programs	4,832	3,750	28.8%	4,832	3,750	28.8%
Other expenses	351,047	373,062	-5.9%	351,047	373,062	-5.9%
Totals	\$7,049,266	\$7,174,479	1.7%	\$5,379,957	\$5,213,202	3.2%

For the year ended June 30, 2011:

- The cost financed by users of the District's programs was \$882,566.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,098,534.
- The net cost of governmental activities was financed with \$3,329,757 in property and other taxes and \$2,481,503 in unrestricted state grants.

Business Type Activities

Revenues for business type activities were \$312,164 and expenses were \$317,791. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

As previously noted, Grundy Center Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$1,446,097 above last year's ending fund balances of \$1,381,840. The primary reason for the increase in combined fund balances in fiscal 2011 is due to revenue exceeding expenditures for the year.

Governmental Fund Highlights

- The General Fund balance increased from \$741,133 to \$752,601 due primarily to the increase in local and state sources.
- The Capital Projects Fund balance increased from \$483,402 in fiscal 2010 to \$483,558 in fiscal 2011 due to the increase in other local source revenue in 2011.
- The Debt Service Fund increased from \$33,828 in fiscal 2010 to \$34,878 in fiscal 2011 due to an increase in property taxes collected in 2011.

Proprietary Fund Highlights

- School Nutrition Fund net assets decreased from \$67,213 at June 30, 2010 to \$61,586 at June 30, 2011, representing a decrease of approximately 8.4%.

BUDGETARY HIGHLIGHTS

Over the course of the year, the Grundy Center School District amended its budget one time to reflect additional expenditures in the other expenditures function.

The District's receipts were \$387,805 less than budgeted receipts, a variance of 4.6%. The most significant variance resulted from the District receiving less in state sources than originally anticipated.

Total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2011, the District had invested \$6.2 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net increase of 5% from last year. More detailed information about the District's capital assets is presented in Note 4 to the financial statements. Depreciation expense for the year was \$454,482.

The original cost of the District's capital assets was \$13.2 million. Governmental funds account for \$13.1 million, with the remainder of \$0.1 million accounted for in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the furniture and equipment category. This increase resulted from the capital lease of laptop computers.

Figure A-6
Capital Assets, net of Depreciation

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2011	2010	2011	2010	2011	2010	2010-2011
Land	\$21,252	\$21,252	\$-	\$-	\$21,252	\$21,252	-
Buildings	4,203,646	4,135,236	-	-	4,203,646	4,135,236	1.7%
Improvements other than buildings	246,878	246,068	-	-	246,878	246,068	0.3%
Furniture and equipment	1,730,602	1,497,419	40,862	44,880	1,771,464	1,542,299	14.9%
Totals	\$6,202,378	\$5,899,975	\$40,862	\$44,880	6,243,240	\$5,944,855	5.0%

Long-Term Debt

At June 30, 2011, the District had \$1,161,947 in general obligation, notes payable and other long-term debt outstanding. This represents a decrease of approximately 20.1% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 5 to the financial statements.

The District continues to carry a general obligation bond rating of Aa3 assigned by national rating agencies to the District's debt since 1997. The Constitution of the State of Iowa limits the amount of general obligation debt districts can issue to 5 percent of the assessed value of all taxable property within the District. The District's outstanding general obligation debt is significantly below its constitutional debt limit of approximately \$14 million.

Figure A-7
Outstanding Long-term Obligations

	Total District		Total Change
	June 30,		June 30,
	2011	2010	2010-2011
Revenue bond	\$410,000	\$505,000	-18.8%
General obligation bonds	310,000	610,000	-49.2%
Capital leases	241,947	50,620	478.0%
Notes payable	200,000	300,000	33.3%
Totals	\$1,161,947	\$1,465,620	-20.7%

ECONOMIC FACTORS BEARING ON THE DISTRICTS FUTURE

At the time these financial statements were prepared and audited, the District was aware of existing circumstances that could significantly affect its financial health in the future.

- The District has experienced steady enrollment which maintains tax dollars for state aid at unchanged levels.
- Federal and state agencies are proposing reduced funding for some programs which could result in budget shortfalls in the future.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Mary Boege, District Secretary/Treasurer and Business Manager, Grundy Center Community School District, 1301-12th Street, Grundy Center IA 50638.

Basic Financial Statements

Grundy Center Community School District

Statement of Net Assets

June 30, 2011

	Governmental Activities	Business Type Activities	Total
Assets			
Cash and cash equivalents	\$ 1,172,151	\$ 22,799	\$ 1,194,950
Receivables:			
Property tax:			
Delinquent	31,472	-	31,472
Succeeding year	2,841,838	-	2,841,838
Accounts	106,285	458	106,743
Due from other governments	450,368	-	450,368
Inventories	-	2,929	2,929
Capital assets, net of accumulated depreciation	6,202,378	40,862	6,243,240
Total Assets	\$ 10,804,492	\$ 67,048	\$ 10,871,540
Liabilities			
Accounts payable	\$ 40,359	\$ 538	\$ 40,897
Salaries and benefits payable	43,298	-	43,298
Accrued interest payable	15,809	-	15,809
Deferred revenue-succeeding year property tax	2,841,838	-	2,841,838
Deferred revenue-other	230,522	4,924	235,446
Long-term liabilities:			
Portion due within one year:			
Revenue bond	95,000	-	95,000
General obligation bonds	310,000	-	310,000
Capital leases	121,087	-	121,087
Notes payable	100,000	-	100,000
Early retirement	64,766	-	64,766
Portion due after one year:			
Revenue bond	315,000	-	315,000
Early retirement	175,235	-	175,235
Capital leases	120,860	-	120,860
Notes payable	100,000	-	100,000
Net OPEB liability	66,987	-	66,987
Total Liabilities	\$ 4,640,761	\$ 5,462	\$ 4,646,223
Net Assets			
Invested in capital assets, net of related debt	\$ 5,040,431	\$ 40,862	\$ 5,081,293
Restricted for:			
Categorical funding	237,025	-	237,025
Capital projects	414,471	-	414,471
Physical plant and equipment	69,087	-	69,087
Student activities	123,349	-	123,349
Debt service	34,878	-	34,878
Other	-	20,306	20,306
Unrestricted	244,490	418	244,908
Total Net Assets	\$ 6,163,731	\$ 61,586	\$ 6,225,317

See notes to financial statements.

Grundy Center Community School District

Statement of Activities

Year Ended June 30, 2011

	Expenses	Charges for Services	Program Revenues	
			Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
<u>Functions/Programs</u>				
Governmental Activities:				
Instruction:				
Regular instruction	\$ 2,934,990	\$ 288,085	\$ 865,863	\$ -
Special instruction	733,721	34,132	84,020	-
Other instruction	1,154,713	324,306	17,415	-
	<u>\$ 4,823,424</u>	<u>\$ 646,523</u>	<u>\$ 967,298</u>	<u>\$ -</u>
Support Services:				
Student services	\$ 72,465	\$ -	\$ 4,225	\$ -
Instructional staff services	255,873	-	-	-
Administration services	703,669	-	1,500	-
Operation and maintenance of plant services	554,411	9,572	-	-
Transportation services	283,545	38,704	1,487	-
	<u>\$ 1,869,963</u>	<u>\$ 48,276</u>	<u>\$ 7,212</u>	<u>\$ -</u>
Non-instructional programs	<u>\$ 4,832</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Other Expenditures:				
Facilities acquisition	\$ 22,352	\$ -	\$ -	\$ -
Long-term debt interest	56,845	-	-	-
AEA flow-through	271,850	-	-	-
	<u>\$ 351,047</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total Governmental Activities	<u>\$ 7,049,266</u>	<u>\$ 694,799</u>	<u>\$ 974,510</u>	<u>\$ -</u>
Business Type Activities:				
Non-Instructional Programs:				
Food service operations	\$ 317,791	\$ 187,767	\$ 124,024	\$ -
Total	<u>\$ 7,367,057</u>	<u>\$ 882,566</u>	<u>\$ 1,098,534</u>	<u>\$ -</u>

See notes to financial statements.

Net (Expense) Revenue
And Changes in Net Assets

Governmental Activities		Business Type Activities		Total
\$	-1,781,042	\$	-	\$ -1,781,042
	-615,569		-	-615,569
	-812,992		-	-812,992
\$	-3,209,603	\$	-	\$ -3,209,603
\$	-68,240	\$	-	\$ -68,240
	-255,873		-	-255,873
	-702,169		-	-702,169
	-544,839		-	-544,839
	-243,354		-	-243,354
\$	-1,814,475	\$	-	\$ -1,814,475
\$	-4,832	\$	-	\$ -4,832
\$	-22,352	\$	-	\$ -22,352
	-56,845		-	-56,845
	-271,850		-	-271,850
\$	-351,047	\$	-	\$ -351,047
\$	-5,379,957	\$	-	\$ -5,379,957
\$	-	\$	-6,000	\$ -6,000
\$	-5,379,957	\$	-6,000	\$ -5,385,957

Grundy Center Community School District

Statement of Activities

Year Ended June 30, 2011

	Program Revenues		
	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Expenses			

General Revenues:

Property Tax Levied For:

General purposes

Debt service

Capital outlay

Statewide sales, services and use tax

Unrestricted state grants

Unrestricted investment earnings

Other

Total General Revenues

Change in net assets

Net assets beginning of year

Net Assets End of Year

See notes to financial statements.

Net (Expense) Revenue
And Changes in Net Assets

Governmental Activities	Business Type Activities	Total
\$ 2,298,787	\$ -	\$ 2,298,787
321,800	-	321,800
290,938	-	290,938
418,232	-	418,232
2,481,503	-	2,481,503
14,957	373	15,330
233,389	-	233,389
<hr/>		
\$ 6,059,606	\$ 373	\$ 6,059,979
<hr/>		
\$ 679,649	\$ -5,627	\$ 674,022
5,484,082	67,213	5,551,295
<hr/>		
\$ 6,163,731	\$ 61,586	\$ 6,225,317
<hr/>		

Grundy Center Community School District

Balance Sheet
Governmental Funds

June 30, 2011

	General	Capital Projects	Debt Service	Non-Major	Total
Assets					
Cash and pooled investments	\$ 617,780	\$ 320,049	\$ 31,860	\$ 202,462	\$ 1,172,151
Receivables:					
Property Tax:					
Delinquent	22,247	3,272	3,619	2,334	31,472
Succeeding year	2,024,580	302,457	319,800	195,001	2,841,838
Accounts	105,118	40	-	1,127	106,285
Due from other governments	275,950	174,418	-	-	450,368
Total Assets	\$ 3,045,675	\$ 800,236	\$ 355,279	\$ 400,924	\$ 4,602,114
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 22,663	\$ 14,221	\$ 601	\$ 2,874	\$ 40,359
Salaries and benefits payable	15,309	-	-	27,989	43,298
Deferred Revenue:					
Succeeding year property tax	2,024,580	302,457	319,800	195,001	2,841,838
Other	230,522	-	-	-	230,522
Total Liabilities	\$ 2,293,074	\$ 316,678	\$ 320,401	\$ 225,864	\$ 3,156,017
Fund Balances:					
Restricted for:					
Categorical funding	\$ 237,025	\$ -	\$ -	\$ -	\$ 237,025
Debt service	-	-	34,878	-	34,878
Management levy purposes	-	-	-	51,711	51,711
Student activities	-	-	-	123,349	123,349
School infrastructure	-	414,471	-	-	414,471
Physical plant and equipment	-	69,087	-	-	69,087
Unassigned	515,576	-	-	-	515,576
Total Fund Balance	\$ 752,601	\$ 483,558	\$ 34,878	\$ 175,060	\$ 1,446,097
Total Liabilities and Fund Balances	\$ 3,045,675	\$ 800,236	\$ 355,279	\$ 400,924	\$ 4,602,114

See notes to financial statements.

Grundy Center Community School District

**Reconciliation of the Balance Sheet – Governmental Funds
To the Statement of Net Assets**

June 30, 2011

Total fund balances of governmental funds (page 16)	\$ 1,446,097
<i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds	6,202,378
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds	-15,809
Long-term liabilities, including bonds and notes payable, early retirement, other postemployment benefits payable and accrued vacations are not due and payable in the current period and, therefore, are not reported in the funds	<u>-1,468,935</u>
Net assets of governmental activities (page 13)	<u>\$ 6,163,731</u>

Grundy Center Community School District

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds

Year Ended June 30, 2011

	General	Capital Projects	Debt Service	Non-Major	Total
Revenues:					
Local Sources:					
Local tax	\$ 2,098,787	\$ 709,170	\$ 321,800	\$ 200,000	\$ 3,329,757
Tuition	303,305	-	-	-	303,305
Other	241,405	63,946	454	334,035	639,840
Intermediate sources	-	-	-	-	-
State sources	3,150,357	169	187	119	3,150,832
Federal sources	305,181	-	-	-	305,181
Total Revenues	\$ 6,099,035	\$ 773,285	\$ 322,441	\$ 534,154	\$ 7,728,915
Expenditures:					
Current:					
Instruction:					
Regular instruction	\$ 2,540,351	\$ 359,307	\$ -	\$ 131,825	\$ 3,031,483
Special instruction	731,225	-	-	-	731,225
Other instruction	783,323	-	-	299,233	1,082,556
	\$ 4,054,899	\$ 359,307	\$ -	\$ 431,058	\$ 4,845,264
Support Services:					
Student services	\$ 71,865	\$ -	\$ -	\$ 600	\$ 72,465
Instructional staff services	305,857	3,548	-	-	309,405
Administration services	678,854	-	-	2,000	680,854
Operation and maintenance of plant services	458,387	49,029	-	36,907	544,323
Transportation services	245,855	76,382	-	10,506	332,743
	\$ 1,760,818	\$ 128,959	\$ -	\$ 50,013	\$ 1,939,790
Non-instructional programs	\$ -	\$ -	\$ -	\$ 1,500	\$ 1,500
Other Expenditures:					
Facilities acquisition	\$ -	\$ 243,170	\$ -	\$ -	\$ 243,170
Long-Term Debt:					
Principal	-	-	662,979	-	662,979
Interest and fiscal charges	-	-	59,411	-	59,411
AEA flow-through	271,850	-	-	-	271,850
	\$ 271,850	\$ 243,170	\$ 722,390	\$ -	\$ 1,237,410
Total Expenditures	\$ 6,087,567	\$ 731,436	\$ 722,390	\$ 482,571	\$ 8,023,964
Excess (deficiency) of revenues over (under) expenditures	\$ 11,468	\$ 41,849	\$ -399,949	\$ 51,583	\$ -295,049
Other Financing Sources (Uses):					
Proceeds from capital lease	\$ -	\$ 359,306	\$ -	\$ -	\$ 359,306
Transfers in	-	-	400,999	-	400,999
Transfers out	-	-400,999	-	-	-400,999
Total other financing sources (uses)	\$ -	\$ -41,693	\$ 400,999	\$ -	\$ 359,306
Net change in fund balances	\$ 11,468	\$ 156	\$ 1,050	\$ 51,583	\$ 64,257
Fund balances beginning of year, as restated	741,133	483,402	33,828	123,477	1,381,840
Fund Balances End of Year	\$ 752,601	\$ 483,558	\$ 34,878	\$ 175,060	\$ 1,446,097

See notes to financial statements.

Grundy Center Community School District

**Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances – Governmental Funds
To the Statement of Activities**

Year Ended June 30, 2011

Net change in fund balances – total governmental funds (page 18)	\$ -295,049
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Amounts reported for governmental activities in the Statement of Activities are different because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, these costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures exceeded depreciation expense in the current year, as follows:

Expenditures for capital assets	\$ 750,020	
Depreciation expense	<u>-447,617</u>	302,403

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year repayments exceeded issues, as follows:

Issued	\$ -	
Repaid	<u>662,979</u>	662,979

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.

2,566

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Accrued vacations	\$ 3,048	
Early retirement	43,689	
Other postemployment benefits	<u>-39,987</u>	6,750

Change in Net Assets of Governmental Activities (page 15)	\$ <u>679,649</u>
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Grundy Center Community School District

**Statement of Net Assets
Proprietary Fund**

June 30, 2011

	<u>School Nutrition</u>
Assets	
Cash and cash equivalents	\$ 22,799
Accounts receivable	458
Inventories	2,929
Capital assets, net of accumulated depreciation	40,862
Total Assets	<u>\$ 67,048</u>
Liabilities	
Account payable	\$ 538
Deferred revenue	4,924
Total Liabilities	<u>\$ 5,462</u>
Net Assets	
Invested in capital assets, net of related debt	\$ 40,862
Restricted	20,306
Unrestricted	418
Total Net Assets	<u>\$ 61,586</u>

See notes to financial statements.

Grundy Center Community School District
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Fund

Year Ended June 30, 2011

	<u>School Nutrition</u>
Operating revenues:	
Local sources:	
Charges for service	\$ 187,767
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	\$ 81,607
Benefits	35,016
Purchased services	4,715
Supplies	189,588
Depreciation	6,865
Total operating expenses	\$ 317,791
Operating loss	\$ -130,024
Non-operating revenues:	
State sources	\$ 2,769
Federal sources	121,255
Interest income	373
Total non-operating revenues	\$ 124,397
Change in net assets	\$ -5,627
Net assets beginning of year	67,213
Net Assets End of Year	\$ 61,586

Grundy Center Community School District

Statement of Cash Flows
Proprietary Fund

Year Ended June 30, 2011

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 188,089
Cash paid to employees for services	-116,623
Cash paid to suppliers for goods or services	-175,782
Net cash used by operating activities	<u>\$ -104,316</u>
Cash flows from non-capital financing activities:	
State grants received	\$ 2,769
Federal grants received	102,919
Net cash provided by non-capital financing activities	<u>\$ 105,688</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	<u>\$ -2,847</u>
Cash flows from investing activities:	
Interest on investments	<u>\$ 373</u>
Net decrease in cash and cash equivalents	\$ -1,102
Cash and cash equivalents beginning of year	<u>23,901</u>
Cash and Cash Equivalents End of Year	<u>\$ 22,799</u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ -130,024
Adjustments to reconcile operating loss to net cash used by operating activities:	
Commodities used	18,336
Depreciation	6,865
Decrease in inventories	1,625
Decrease in accounts receivable	68
(Decrease) in accounts payable	-1,439
Increase in deferred revenue	<u>253</u>
Net Cash Used by Operating Activities	<u>\$ -104,316</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2011, the District received \$18,336 of federal commodities.

Grundy Center Community School District

**Statement of Fiduciary Net Assets
Fiduciary Funds**

June 30, 2011

	Private Purpose Trust	
	Scholarship	Agency
Assets		
Cash and pooled investments	\$ 538	\$ 4,970
Liabilities		
Accounts payable	\$ -	\$ 4,970
Net Assets		
Reserved for scholarships	\$ 538	\$ -

See notes to financial statements.

Grundy Center Community School District
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds

Year Ended June 30, 2011

	Private Purpose Trust <u>Scholarship</u>
Additions:	
Local sources:	
Gifts and contributions	\$ -
Deductions:	
Support services:	
Services	\$ -
Change in net assets	\$ -
Net assets beginning of year	<u>538</u>
Net Assets End of Year	<u>\$ 538</u>

Grundy Center Community School District

Notes to Financial Statements

June 30, 2011

(1) Summary of Significant Accounting Policies

Grundy Center Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the City of Grundy Center, Iowa and portions of the predominately agricultural territories in Grundy and Tama Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U. S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Grundy Center Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. Grundy Center Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organization – The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the County Assessor's Conference Board.

B. Basis of Presentation

Government-wide Financial Statements – The Statement of Net Assets and the Statement of Activities report information on all of the non-fiduciary activities of the District. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's non-fiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in the following categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function and (2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental, proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as non-major governmental funds. Combining schedules are also included for the Capital Project Fund accounts.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities and other capital assets.

The Debt Service Fund is utilized to account for the payment of interest and principal on the District's general obligation long-term debt.

The District reports the following major proprietary fund:

The Enterprise, School Nutrition Fund is used to account for the food service operations of the District.

The District also reports fiduciary funds, which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements, which require income earned to be used to benefit individuals through scholarship awards.

The Agency Fund is used to account for assets held by the District as an agent for individuals, private organizations and other governments. The Agency Fund is custodial in nature, assets equal liabilities, and they do not involve measurement of results of operations.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year-end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

The proprietary funds of the District apply all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most District funds are pooled and invested. Investments are stated at fair value.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable – Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½ % per month penalty for delinquent payments; is based on January 1, 2009 assessed property valuations; is for the tax accrual period July 1, 2010 through June 30, 2011 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2010.

Due from Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets – Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 2,000
Buildings	10,000
Improvements other than buildings	10,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	2,000

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Improvements other than buildings	20 – 50 years
Furniture and equipment	5 – 15 years

Salaries and Benefits Payable – Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July, have been accrued as liabilities.

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivable and other receivables not collected within sixty days after year-end.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated absences – District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2011. The compensated absences liability attributable to governmental activities will be paid primarily by the General Fund.

Long-term Liabilities – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Equity – In the governmental fund financial statements, fund balances are classified as follows:

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Committed – Amounts which can be used only for specific purposes determined pursuant to constraints formally imposed by the Board of Education through resolution approved prior to year end. Those committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same action it employed to commit those amounts.

Unassigned – All amounts not included in other spendable classifications.

Restricted Net Assets – In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

(2) **Cash and Pooled Investments**

The District's deposits in banks at June 30, 2011 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

(3) **Inter-fund Transfers**

The detail of inter-fund transfers for the year ended June 30, 2011 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects – Physical Plant and Equipment Levy	\$ 285,517
Debt Service	Capital Projects – Statewide Sales, Services and Use Tax	115,482
		<u>\$ 400,999</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

(4) **Capital Assets**

Capital assets activity for the year ended June 30, 2011 was as follows:

	Balance Beginning Of Year	Increases	Decreases	Balance End Of Year
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 21,252	\$ -	\$ -	\$ 21,252
Total capital assets not being depreciated	\$ 21,252	\$ -	\$ -	\$ 21,252
Capital assets being depreciated:				
Buildings	\$ 7,523,572	\$ 209,183	\$ -	\$ 7,732,755
Improvements other than buildings	507,749	17,669	-	525,418
Furniture and equipment	4,368,182	523,168	28,675	4,862,675
Total capital assets being depreciated	\$ 12,399,503	\$ 750,020	\$ 28,675	\$ 13,120,848
Less accumulated depreciation for:				
Buildings	\$ 3,388,336	\$ 140,773	\$ -	\$ 3,529,109
Improvements other than buildings	261,681	16,859	-	278,540
Furniture and equipment	2,870,763	289,985	28,675	3,132,073
Total accumulated depreciation	\$ 6,520,780	\$ 447,617	\$ 28,675	\$ 6,939,722
Total capital assets being depreciated, net	\$ 5,878,723	\$ 302,403	\$ -	\$ 6,181,126
Governmental Activities Capital Assets, Net	\$ 5,899,975	\$ 302,403	\$ -	\$ 6,202,378

	Balance Beginning Of Year	Increases	Decreases	Balance End Of Year
Business type activities:				
Furniture and equipment	\$ 77,908	\$ 2,847	\$ -	\$ 80,755
Less accumulated depreciation	33,028	6,865	-	39,893
Business Type Activities Capital Assets, Net	\$ 44,880	\$ -4,018	\$ -	\$ 40,862

Depreciation expense was charged to the following functions:

Governmental Activities:

Instruction:

Regular	\$ 288,827
Special	2,496
Other	82,250

Support services:

Administration	19,007
Operation and maintenance of plant	28,519
Transportation	26,518

Total Depreciation Expense – Governmental Activities

\$ 447,617

Business Type Activities:

Food service operations	\$ 6,865
-------------------------	----------

(5) Long-term Liabilities

Changes in long-term liabilities for the year ended June 30, 2011 are summarized as follows:

	Balance Beginning Of Year	Additions	Reductions	Balance End Of Year	Due Within One Year
Revenue bond	\$ 505,000	\$ -	\$ 95,000	\$ 410,000	\$ 95,000
General obligation bonds	610,000	-	300,000	310,000	310,000
Capital leases	50,620	359,306	167,979	241,947	121,087
Notes payable	300,000	-	100,000	200,000	100,000
Early retirement	283,690	18,807	62,496	240,001	64,766
Accrued vacations	3,048	-	3,048	-	-
Net OPEB liability	27,000	39,987	-	66,987	-
Total	\$ 1,779,358	\$ 418,100	\$ 728,523	\$ 1,468,935	\$ 690,853

Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five. Employees must complete an application, which is subject to approval by the Board of Education. Early retirement incentives are a cash payment equal to the employee's current salary minus the current base. Early retirement expenditures for the year ended June 30, 2011 totaled \$62,496.

General Obligation Bonds Payable

Details of the District's June 30, 2011 general obligation bonded indebtedness are as follows:

Year Ended June 30,	Interest Rates	Bond Issued March 1, 2006		Total
		Principal	Interest	
2012	4.00%	\$ 310,000	\$ 9,300	\$ 319,300

During the year ended June 30, 2011, the District made principal and interest payments totaling \$321,400.

Prior Year Debt Defeasance

In prior years, the District has defeased various bond issues by creating separate irrevocable trust funds. New debt has been issued and the proceeds have been used to purchase U.S. government securities that were placed in the trust funds. The investment and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes the debt has been considered defeased and therefore removed as a liability from the District's Long-Term Debt. As of June 30, 2011, the amount of defeased debt outstanding but removed from the Long-Term Debt amounted to \$1,875,000.

Capital Leases

The District has leased a copier and laptop computers, which are being accounted for as capital leases. The following is a schedule of future lease payments under the capital leases, as of June 30, 2011.

	Balance Beginning Of Year	Additions	Reductions	Balance End Of Year	Due Within One Year
Copier	\$ 10,680	\$ -	\$ 7,206	\$ 3,474	\$ 2,748
Computers	39,940	359,306	160,773	238,473	118,339
Total	\$ 50,620	\$ 359,306	\$ 167,979	\$ 241,947	\$ 121,087

During the year ended June 30, 2011 the District made principal and interest payments totaling \$167,979 under the agreements.

Revenue Bond Payable

Details of the District's June 30, 2011 revenue bond indebtedness are as follow:

Year Ended June 30,	Revenue Bond Issued August 4, 2004			
	Interest Rates	Principal	Interest	Total
2012	4.30%	\$ 95,000	\$ 16,492	\$ 111,492
2013	4.45%	100,000	12,225	112,225
2014	4.60%	105,000	7,585	112,585
2015	4.70%	110,000	2,585	112,585
Total		\$ 410,000	\$ 38,887	\$ 448,887

During the year ended June 30, 2011, the District made principal and interest payments totaling \$115,483 under the agreement.

Capital Loan Notes

The District refinanced \$300,000 of capital loan notes during the year ended June 30, 2011 to complete construction on the stadium project. The payments are due are follows:

Year Ended June 30,	Interest Rates	Refinanced Note April 20, 2010		
		Principal	Interest	Total
2012	5.30%	\$ 100,000	\$ 10,600	\$ 110,600
2013	5.30%	100,000	5,300	105,300
		\$ 200,000	\$ 15,900	\$ 215,900

(6) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits, which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P. O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 4.50% of their annual covered salary and the District is required to contribute 6.95% of annual covered salary. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2011, 2010 and 2009 were \$261,941, \$228,964, and \$217,318, respectively, equal to the required contributions for each year.

(7) Other Postemployment Benefits (OPEB)

Plan description – The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 69 active and 20 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit rate subsidy and an OPEB liability.

Funding Policy – The contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation – The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No 45. The ARC represents a level of funding which, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2011, the amount actually contributed to the plan and changes in the District's net OPEB obligations:

Annual required contribution	\$	160,000
Interest on net OPEB obligation		1,080
Adjustment to annual required contribution		-1,093
Annual OPEB cost	\$	159,987
Contributions made		-120,000
Increase in net OPEB obligation	\$	39,987
Net OPEB obligation beginning of year		27,000
Net OPEB obligation end of year	\$	66,987

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2011.

For the year ended June 30, 2011, the District contributed \$586,612 to the medical plan. Plan members eligible for benefits contributed \$35,920, or 5.8% of the premium costs.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2011 are summarized as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2010	\$160,000	83.13%	\$27,000
June 30, 2011	\$160,000	75.00%	\$66,987

Funded Status and Funding Progress – As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2010 through June 30, 2011, the actuarial accrued liability was \$1,457 million, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,457 million. The covered payroll (annual payroll of active employees covered by the plan) was \$3,425,047 and the ratio of the UAAL to covered payroll was 42.5%. As of June 30, 2011, there were no trust fund assets.

Actuarial Methods and Assumptions – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2009 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions includes a 4.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 11%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 0.5% each year until reaching the 5% ultimate trend rate.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2007 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2007.

Projected claim costs of the medical plan are \$561 per month for retirees less than age 65 and \$330 per month for retirees who have attained age 65. The salary increase rate was assumed to be 3.5% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(8) Risk Management

Grundy Center Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(9) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$271,850 for the year ended June 30, 2011 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(10) Categorical Funding

The District's reserved fund balance for categorical funding at June 30, 2011 is comprised of the following programs:

Program	Amount
Home School Assistance	\$ 3,747
Gifted and Talented Programs	6,188
Dropout Prevention	192,114
Teacher Salary Supplement	7,571
Beginning Teacher Mentoring	258
Core Curriculum	20,208
Professional Development	6,939
Total	<u>\$ 237,025</u>

(11) Subsequent Events

The District has evaluated subsequent events through March 14, 2012 which is the date that the financial statements were available to be issued.

(12) Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, was implemented during the year ended June 30, 2011. The effect of fund type reclassifications is as follows:

	Capital Projects	Special Revenue, Physical Plant and Equipment Levy
Balances June 30, 2010, as previously reported	\$ 257,712	\$ 225,690
Change in fund type classification per implementation of GASB Statement No. 54	225,690	-225,690
Balances July 1, 2010, as restated	<u>\$ 483,402</u>	<u>\$ -</u>

Required Supplementary Information

Grundy Center Community School District

**Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances –
Budget and Actual – All Governmental Funds and Proprietary Fund**

Required Supplementary Information

Year Ended June 30, 2011

	Governmental Funds Actual	Proprietary Fund Actual
Receipts:		
Local sources	\$ 4,272,902	\$ 188,140
Intermediate sources	-	-
State sources	3,150,832	2,769
Federal sources	305,181	121,255
Total Receipts	\$ 7,728,915	\$ 312,164
Disbursements:		
Instruction	\$ 4,845,264	\$ -
Support services	1,939,790	-
Non-instructional programs	1,500	317,791
Other expenditures	1,237,410	-
Total Disbursements	\$ 8,023,964	\$ 317,791
Excess (deficiency) of revenue over (under) expenditures/expenses	\$ -295,049	\$ -5,627
Other financing sources, net	359,306	-
Excess (deficiency) of revenue and other financing sources over (under) expenditures/expenses and other financing uses	\$ 64,257	\$ -5,627
Balances beginning of year	1,381,840	67,213
Balances End of Year	\$ 1,446,097	\$ 61,586

See accompanying independent auditor's report.

	Total Actual	Budgeted Amounts		Budgeted to Actual Variance
		Original	Final	
\$	4,461,042	\$ 4,599,686	\$ 4,599,686	\$ -138,644
	-	-	-	-
	3,153,601	3,471,198	3,471,198	-317,597
	426,436	358,000	358,000	68,436
\$	8,041,079	\$ 8,428,884	\$ 8,428,884	\$ -387,805
\$	4,845,264	\$ 4,980,000	\$ 4,980,000	\$ 134,736
	1,939,790	1,968,050	1,968,050	28,260
	319,291	366,500	366,500	47,209
	1,237,410	1,414,539	1,644,539	407,129
\$	8,341,755	\$ 8,729,089	\$ 8,959,089	\$ 617,334
\$	-300,676	\$ -300,205	\$ -530,205	\$ 229,529
	359,306	-	-	359,306
\$	58,630	\$ -300,205	\$ -530,205	\$ 588,835
	1,449,053	977,251	977,251	471,802
\$	1,507,683	\$ 677,046	\$ 447,046	\$ 1,060,637

Grundy Center Community School District

Notes to Required Supplementary Information – Budgetary Reporting

Year Ended June 30, 2011

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year the District adopted one budget amendment, increasing budgeted expenditures by \$230,000.

Grundy Center Community School District

**Schedule of Funding Progress for the
Retiree Health Plan
(In Thousands)**

Required Supplementary Information

June 30, 2011

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	-	\$1,457	\$1,457	-	\$3,153	46.2%
2011	July 1, 2009	-	\$1,457	\$1,457	-	\$3,425	42.5%

See Note 7 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

Other Supplementary Information

Grundy Center Community School District

Combining Balance Sheet
Non-Major Funds

June 30, 2011

	Special Revenue		Total
	Management	Student Activity	
Assets			
Cash and pooled investments	\$ 77,366	\$ 125,096	\$ 202,462
Receivables:			
Property Tax:			
Delinquent	2,334	-	2,334
Succeeding year	195,001	-	195,001
Accounts	-	1,127	1,127
Total Assets	\$ 274,701	\$ 126,223	\$ 400,924
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ -	\$ 2,874	\$ 2,874
Salaries and benefits payable	27,989	-	27,989
Deferred Revenue:			
Succeeding year property tax	195,001	-	195,001
Total Liabilities	\$ 222,990	\$ 2,874	\$ 225,864
Fund Balances:			
Restricted for:			
Management levy purposes	\$ 51,711	\$ -	\$ 51,711
Student activities	-	123,349	123,349
Total fund balances	\$ 51,711	\$ 123,349	\$ 175,060
Total Liabilities and Fund Balances	\$ 274,701	\$ 126,223	\$ 400,924

Grundy Center Community School District
Combining Schedule of Revenues, Expenditures
and Changes in Fund Balances
Non-Major Funds

Year Ended June 30, 2011

	<u>Special Revenue</u>		
	<u>Management</u>	<u>Student Activity</u>	<u>Total</u>
Revenues:			
Local Sources:			
Local tax	\$ 200,000	\$ -	\$ 200,000
Other	9,942	324,093	334,035
State sources	119	-	119
Total Revenues	<u>\$ 210,061</u>	<u>\$ 324,093</u>	<u>\$ 534,154</u>
Expenditures:			
Current:			
Instruction:			
Regular instruction	\$ 131,825	\$ -	\$ 131,825
Other instruction	-	299,233	299,233
Support Services:			
Student services	600	-	600
Administration services	2,000	-	2,000
Operation and maintenance of plant services	36,907	-	36,907
Transportation	10,506	-	10,506
Non-instructional programs	1,500	-	1,500
Total Expenditures	<u>\$ 183,338</u>	<u>\$ 299,233</u>	<u>\$ 482,571</u>
Excess (deficiency) of revenues over (under) expenditures	\$ 26,723	\$ 24,860	\$ 51,583
Fund balances beginning of year	<u>24,988</u>	<u>98,489</u>	<u>123,477</u>
Fund Balances End of Year	<u>\$ 51,711</u>	<u>\$ 123,349</u>	<u>\$ 175,060</u>

Grundy Center Community School District

Combining Balance Sheet
Capital Project Accounts

June 30, 2011

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Assets			
Cash and pooled investments	\$ 244,916	\$ 75,133	\$ 320,049
Receivables:			
Property Tax:			
Delinquent	-	3,272	3,272
Succeeding year	-	302,457	302,457
Accounts	-	40	40
Due from other governments	174,418	-	174,418
Total Assets	\$ 419,334	\$ 380,902	\$ 800,236
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 4,863	\$ 9,358	\$ 14,221
Deferred revenue:			
Succeeding year property tax	-	302,457	302,457
Total Liabilities	\$ 4,863	\$ 311,815	\$ 316,678
Fund Balances:			
Restricted for:			
School infrastructure	\$ 414,471	\$ -	\$ 414,471
Physical plant and equipment	-	69,087	69,087
Total fund balances	\$ 414,471	\$ 69,087	\$ 483,558
Total Liabilities and Fund Balances	\$ 419,334	\$ 380,902	\$ 800,236

See accompanying independent auditor's report.

Grundy Center Community School District
Combining Schedule of Revenues, Expenditures
and Changes in Fund Balances
Capital Project Accounts

Year Ended June 30, 2011

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local Sources:			
Local tax	\$ 418,232	\$ 290,938	\$ 709,170
Other	59,837	4,109	63,946
State sources	-	169	169
Total Revenues	<u>\$ 478,069</u>	<u>\$ 295,216</u>	<u>\$ 773,285</u>
Expenditures:			
Current:			
Instruction:			
Regular instruction	\$ -	\$ 359,307	\$ 359,307
Support Services:			
Instructional staff services	-	3,548	3,548
Operation and maintenance of plant services	-	49,029	49,029
Transportation	-	76,382	76,382
Other Expenditures:			
Facilities acquisition	205,828	37,342	243,170
Total Expenditures	<u>\$ 205,828</u>	<u>\$ 525,608</u>	<u>\$ 731,436</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 272,241</u>	<u>\$ -230,392</u>	<u>\$ 41,849</u>
Other Financing Sources (Uses):			
Capital lease proceeds	\$ -	\$ 359,306	\$ 359,306
Revenue bonds issued			
Operating transfers in (out)	-115,482	-285,517	-400,999
Total other financing sources (uses)	<u>\$ -115,482</u>	<u>\$ 73,789</u>	<u>\$ -41,693</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ 156,759</u>	<u>\$ -156,603</u>	<u>\$ 156</u>
Fund balances beginning of year, as restated	<u>257,712</u>	<u>225,690</u>	<u>483,402</u>
Fund Balances End of Year	<u>\$ 414,471</u>	<u>\$ 69,087</u>	<u>\$ 483,558</u>

See accompanying independent auditor's report.

Grundy Center Community School District

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year Ended June 30, 2011

Account	Balance Beginning Of Year	Revenues and Inter-fund Transfers	Expenditures	Intra- Fund Transfers	Balance End of Year
Change	\$ 214	\$ -	\$ -	\$ -214	\$ -
Interest on investments	20,198	-	-	-20,198	-
Student activity ticket sales	34,308	12,025	-	-46,333	-
Past graduates	3,060	-	1,457	-1,603	-
Class of 2008	75	-	-	-75	-
Class of 2010	41	-	56	15	-
Class of 2011	2,765	22	1,769	-943	75
Class of 2012	442	6,784	5,480	-	1,746
Class of 2013	179	210	-	-	389
Class of 2014	-	61	-	-	61
Class of 2015	-	-	-	-	-
Class of 2016	-	18	-	-	18
Class of 2017	-	-	-	24	24
Cross country	-3,158	1,648	2,004	3,514	-
Dance team	-7,203	11,310	11,747	7,640	-
Vocal music/GC Jazz	3,914	3,414	2,410	-	4,918
Foreign student club	14	-	-	-14	-
Spirit force (Pep club)	-401	-	-	401	-
Drama/speech	2,644	2,253	2,255	-	2,642
Sharks	266	-	-	-266	-
Elementary vocal music	1,179	-	-	-	1,179
Annual	-6,215	7,044	11,282	10,453	-
Band	8,395	1,693	1,770	-	8,318
TSA	-4	-	-	4	-
Mexico trip	1	-	-	-1	-
Middle School student senate	7,458	1,782	2,728	-	6,512
National Honor Society	-1,082	-	100	1,182	-
High School student senate	3,938	4,927	4,403	-	4,462
Art club	1,116	354	211	-	1,259
Spanish club	4	-	-	-4	-
TAG club	5,553	2,726	876	-	7,403
Middle School fund	324	-	-	-	324
Elementary student senate	55,046	53,276	82,682	-8,385	17,255
FFA	3,303	11,109	12,635	-	1,777
Fellowship of Christian Athletes	274	-	-	-274	-
G club	-2,402	-	-	2,402	-
Girls softball	-7,947	5,297	6,079	9,187	458
Boys basketball	21,579	13,613	10,721	-15,345	9,126
Football	-1,077	20,584	16,448	-	3,059
Boys baseball	-16,602	8,379	7,822	16,269	224
Boys track	-17,844	3,305	3,012	17,551	-
Boys tennis	-224	325	471	370	-
Boys golf	445	1,422	1,650	110	327
Athletics-general	-58,438	28,324	24,950	55,793	729
Music department	4,298	13,300	9,216	-	8,382
Playground	-8,386	-	-	8,386	-
Stadium Renovation	-16,013	16,013	-	-	-

Grundy Center Community School District

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year Ended June 30, 2011

Account	Balance Beginning Of Year	Revenues and Inter-fund Transfers	Expenditures	Intra- Fund Transfers	Balance End of Year
Hall of Fame	\$ -	\$ 793	\$ 793	\$ -	\$ -
MS Read Across America	838	993	909	-	922
Soccer	1,511	-	-	1	1,512
Spartan clothing	65	2,093	2,110	-	48
Concessions	57,159	32,412	18,628	-56,463	14,480
Wrestling	8,254	600	750	-7,634	470
Girls basketball	12,440	14,039	10,686	-	15,793
Girls volleyball	12,046	24,153	23,229	-3,513	9,457
Girls track	-13,286	13,924	13,110	12,472	-
Girls tennis	-1,318	564	898	1,652	-
Girls golf	-6,793	267	1,062	7,588	-
Cheerleaders	534	741	1,285	10	-
Camps	313	-	-	-313	-
Academic Decathlon	-7,311	2,296	1,539	6,554	-
Totals	\$ 98,489	\$ 324,093	\$ 299,233	\$ -	\$ 123,349

See accompanying independent auditor's report.

Grundy Center Community School District

Schedule of Changes in Fiduciary Assets and Liabilities –
Agency Funds

Year ended June 30, 2011

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Assets				
Cash	\$ 4,941	\$ 380	\$ 351	\$ 4,970
Total Assets	<u>\$ 4,941</u>			<u>\$ 4,970</u>
Liabilities				
Accounts payable	\$ 4,941	\$ 380	\$ 351	\$ 4,970
Total Liabilities	<u>\$ 4,941</u>			<u>\$ 4,970</u>

Grundy Center Community School District

**Schedule of Revenues by Source and Expenditures by Function
All Governmental Funds**

For the Last Eight Years

	Modified Accrual Basis			
	2011	2010	2009	2008
Revenues:				
Local Sources:				
Local tax	\$ 3,329,757	\$ 3,189,115	\$ 3,072,240	\$ 2,654,620
Tuition	303,305	325,993	337,417	369,437
Other	639,840	635,260	787,170	940,856
Intermediate sources	-	-	-	-
State sources	3,150,832	2,755,430	3,065,231	3,022,179
Federal sources	305,181	497,180	204,403	233,811
Total	\$ 7,728,915	\$ 7,402,978	\$ 7,466,461	\$ 7,220,903
Expenditures:				
Instruction:				
Regular instruction	\$ 3,031,483	\$ 2,810,790	\$ 2,668,124	\$ 2,582,004
Special instruction	731,225	836,216	782,801	642,618
Other instruction	1,082,556	1,063,960	1,031,035	836,894
Support services:				
Student services	72,465	69,243	114,657	105,105
Instructional staff services	309,405	235,957	180,266	220,406
Administration services	680,854	711,820	693,604	657,058
Operation and maintenance of plant services	544,323	550,877	580,021	680,273
Transportation services	332,743	240,659	309,105	209,682
Non-instructional programs	1,500	1,500	1,500	1,500
Other expenditures:				
Facilities acquisition	243,170	384,328	788,163	248,636
Long-term debt:				
Principal	662,979	464,119	435,082	489,586
Interest and other charges	59,411	86,488	77,051	87,956
AEA flow-through	271,850	267,032	222,659	215,321
Total	\$ 8,023,964	\$ 7,722,989	\$ 7,884,068	\$ 6,977,039

See accompanying independent auditor's report.

Modified Accrual Basis			
2007	2006	2005	2004
\$ 2,501,957	\$ 2,458,970	\$ 2,395,998	\$ 2,540,526
415,217	399,585	487,874	462,348
873,250	748,472	832,296	638,944
-	-	-	-
2,705,942	2,659,509	2,498,444	2,323,697
251,312	356,802	99,457	104,417
\$ 6,747,678	\$ 6,623,338	\$ 6,314,069	\$ 6,069,932

\$ 2,554,867	\$ 2,595,156	\$ 2,178,448	\$ 2,110,808
669,725	641,467	640,435	674,859
837,722	869,596	786,938	676,753
95,360	103,293	110,848	226,532
252,287	261,425	191,869	106,114
605,127	571,840	576,288	583,209
528,455	535,578	502,216	555,027
185,824	250,452	222,599	242,887
-	-	370	7,000
302,643	253,858	908,150	22,705
444,816	393,851	354,479	363,194
117,043	158,870	118,524	133,838
194,979	186,044	178,953	179,854
\$ 6,788,848	\$ 6,821,430	\$ 6,770,117	\$ 5,882,780

**Independent Auditor's Report Internal Control over Financial Reporting
and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed
in Accordance with Government Auditing Standards**

Independent Auditor's Report Internal Control over Financial Reporting
and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed
in Accordance with Government Auditing Standards

To the Board of Education of
Grundy Center Community School District:

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Grundy Center Community School District as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued my report thereon dated March 14, 2012. I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Grundy Center Community School District's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing my opinion on the effectiveness of Grundy Center Community School District's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of Grundy Center Community School District's internal control over financial reporting.

My consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, I identified certain deficiencies in internal control over financial reporting that I consider to be material weaknesses and other deficiencies I consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. I consider the deficiency in internal control described in Part I of the accompanying Schedule of Findings as item I-A-11 to be a material weakness.

A significant deficiency is a deficiency or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. I consider the deficiency described in Part I of the accompanying Schedule of Findings as item I-B-11 to be a significant deficiency.

Compliance and Other Matters

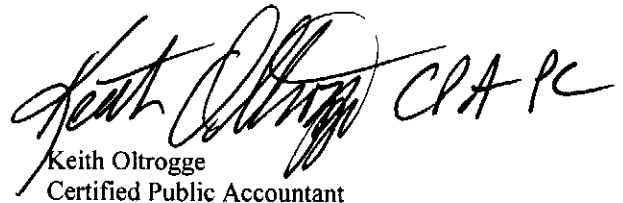
As part of obtaining reasonable assurance about whether Grundy Center Community School District's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of non-compliance that are required to be reported under Government Auditing Standards. However, I noted certain immaterial instances of non-compliance that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2011 are based exclusively on knowledge obtained from procedures performed during my audit of the financial statements of the District. Since my audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Grundy Center Community School District's responses to findings identified in my audit are described in the accompanying Schedule of Findings. While I have expressed my conclusions on the District's responses, I did not audit Grundy Center Community School District's responses and, accordingly, I express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Grundy Center Community School District and other parties to whom Grundy Center Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

I would like to acknowledge the many courtesies and assistance extended to me by personnel of Grundy Center Community School District during the course of my audit. Should you have any questions concerning any of the above matters, I shall be pleased to discuss them with you at your convenience.



Keith Oltrogge
Certified Public Accountant

March 14, 2012

Grundy Center Community School District

Schedule of Findings

Year Ended June 30, 2011

Part I – Findings Related to the Financial Statements

INTERNAL CONTROL DEFICIENCIES:

- I-A-11 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Cash receipts are issued and bank deposits are prepared by the same person. An independent person does not open the mail and prepare an initial listing of the checks received and later compare the listing to the receipts issued. Also, vouchers are processed, disbursements are recorded, and checks are prepared by the same person.

Recommendation – I realize segregation of duties is difficult with a limited number of office employees. However, the District should review its procedures to obtain the maximum internal control possible under the circumstances.

Response – We will continue to review our procedures and implement additional controls where possible.

Conclusion – Response accepted.

- I-B-11 Annual Financial Statements – The ability to apply generally accepted accounting principles to the financial statements and determine the sufficiency of the footnote disclosure is a necessary aspect of internal control over the District's financial reporting process. The District does not possess an individual with the appropriate expertise to apply generally accepted accounting principles to the financial statements and to draft and determine the sufficiency of the necessary disclosures. The District has a limited number of employees and it is not cost beneficial to employ an individual with this type of expertise and knowledge. The internal financial statements prepared by the District are not prepared in accordance with generally accepted accounting principles and do not contain the required footnote disclosures.

Recommendation – This is a common control deficiency of most small schools and is often not corrected due to cost benefit considerations. I could assist you in gaining the necessary knowledge and skills if you determine that this is a control deficiency that the District would like to address.

Response – We will consult with you as needed on financial statement considerations.

Conclusions – Response accepted.

Grundy Center Community School District

Schedule of Findings

Year Ended June 30, 2011

Part II - Other Findings Related to Statutory Reporting:

II-A-11 Certified Budget – Expenditures for the year ended June 30, 2011 did not exceed the amended amounts budgeted.

II-B-11 Questionable Expenditures – No expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

II-C-11 Travel Expense – No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

II-D-11 Business Transactions – Business transactions between the District and District officials or employees are detailed as follows.

Name, Title & Business Connection	Transaction Description	Amount
Family Food – Manager – Mark Dunnick – Board Member	Supplies	<u>\$8,361</u>

In accordance with an Attorney General's opinion dated November 9, 1976, the above transaction does not appear to represent a conflict of interest. All transactions were board approved.

II-E-11 Bond Coverage – Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure the coverage is adequate for current operations.

II-F-11 Board Minutes – No transactions requiring Board approval, which had not been approved by the Board, were noted.

II-G-11 Certified Enrollment – No variances in the basic enrollment data certified to the Department of Education were noted.

II-H-11 Supplementary Weighting – No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

II-I-11 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.

II-J-11 Certified Annual Report – The Certified Annual Report was certified to the Iowa Department of Education timely.

II-K-11 Categorical Funding – No instances were noted of categorical funding being used to supplant rather than supplement other funds.

Grundy Center Community School District

Schedule of Findings

Year Ended June 30, 2011

Part II - Other Findings Related to Statutory Reporting (continued):

- II-L-11 Statewide Sales, Services and Use Tax – No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2011, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$	257,712
Revenues/transfers in:			
Sales tax revenues	\$	266,757	
Other local revenues		59,837	
School infrastructure supplemental amount		151,475	478,069
		\$	735,781
Expenditures/transfers out:			
School infrastructure construction	\$	205,828	
Transfers to other funds:			
Debt service fund		115,482	321,310
Ending balance		\$	414,471

For the year ended June 30, 2011, the District reduced the following levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa:

	Per \$1,000 of Taxable Valuation	Property Tax Dollars
Debt service levy	\$ 0.6156	\$ 418,232
Physical plant and equipment levy	-	-
Public educational and recreational levy	-	-